

BRAZIL

I. Pressures in Brazil for some modification of its present pro-US policy are building up.

A. Although President Kubitschek and the majority of his top aides are pro-US and do not wish to impair a mutually important relationship, some believe the thaw in relations between the US and USSR is conducive to increasing trade and contacts with Soviet Bloc. The growth of Soviet GNP impresses them.

1.

Kubitschek's office has issued directive on new policy: Brazil, acting as a "third force," to treat all nations--including the US and the USSR--with the "same official attitude" following the policy of neutral nations.

B. This may be attempt to pressure US. Some Brazilian officials say current US policy has failed to reciprocate Brazil's "traditionally favored treatment of the US." They feel the US fails to consult Brazil on important international political matters and that this is inconsistent with both Brazilian commitments to western security and with Brazil's importance in lining up support for Western policies.

II. However, major pressure is economic. With the presidential election upcoming in October 1960, Brazilian leaders exceptionally sensitive to popular complaints on rising living costs and food shortages.

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- A. Brazil considers US financial assistance particularly inadequate and conditions for further assistance too onerous--for the latter reason Kubitschek suspended negotiations with the IMF in mid-1959, a prerequisite for further US loan assistance.
- III. Economic reasons were main motivation in Brazil's signing trade and payments agreement in Moscow 9 December.
- A. Agreement calls for \$107,000,000 worth of trade each way during 1960-1962, beginning with \$25,000,000 each in 1960.
1. Agreement small relative to Brazil's annual exports of \$1.2 billion and imports of \$1.4 billion but for Soviets represents opening wedge for expanding trade with Brazil.
- B. Brazil reported pleased by agreement, especially Soviet commitment not to re-export coffee, its main export; USSR to take almost three times its current consumption--about 2% of Brazil's accumulated surplus.
- C. 80% of Soviet exports will be crude petroleum and derivatives, and petroleum equipment.
- D. While the chief Brazilian delegate said resumption of diplomatic relations was not involved, [REDACTED] 25X1X6
[REDACTED] 25X1X6 gained the impression that diplomatic relations would be resumed in about six months.

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